



2018 - 2019

ECONOMIC OUTLOOK FORECAST

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INTRODUCTION

The annual economic forecast for the Charleston region is a partnership project between the Charleston Metro Chamber of Commerce's Center for Business Research and the College of Charleston's Office of Economic Analysis.

The forecast is based upon historical data tracked and collected by the Chamber's Center for Business Research. Data on each of the key economic indicators that drive the region's economy are collected and provided to the College of Charleston's School of Business and the data is reviewed by Dr. Frank Hefner. Using an econometric forecasting model, a projection for each indicator is developed. The model also forecasts national indicators.

The key to the success of the forecasting project has been the Economic Outlook Board, whose collective insight provides information that may not be picked up in a statistical analysis of the data. The Board often has information on future developments that no statistical model would capture. Furthermore, the data is often reported in a lag - the Economic Outlook Board reviews the statistical forecast and adds the "real-time, real-knowledge" insight into the actual performance of the local economy.

The 2018 Forecast marks the 27th Annual Conference and Forecast.

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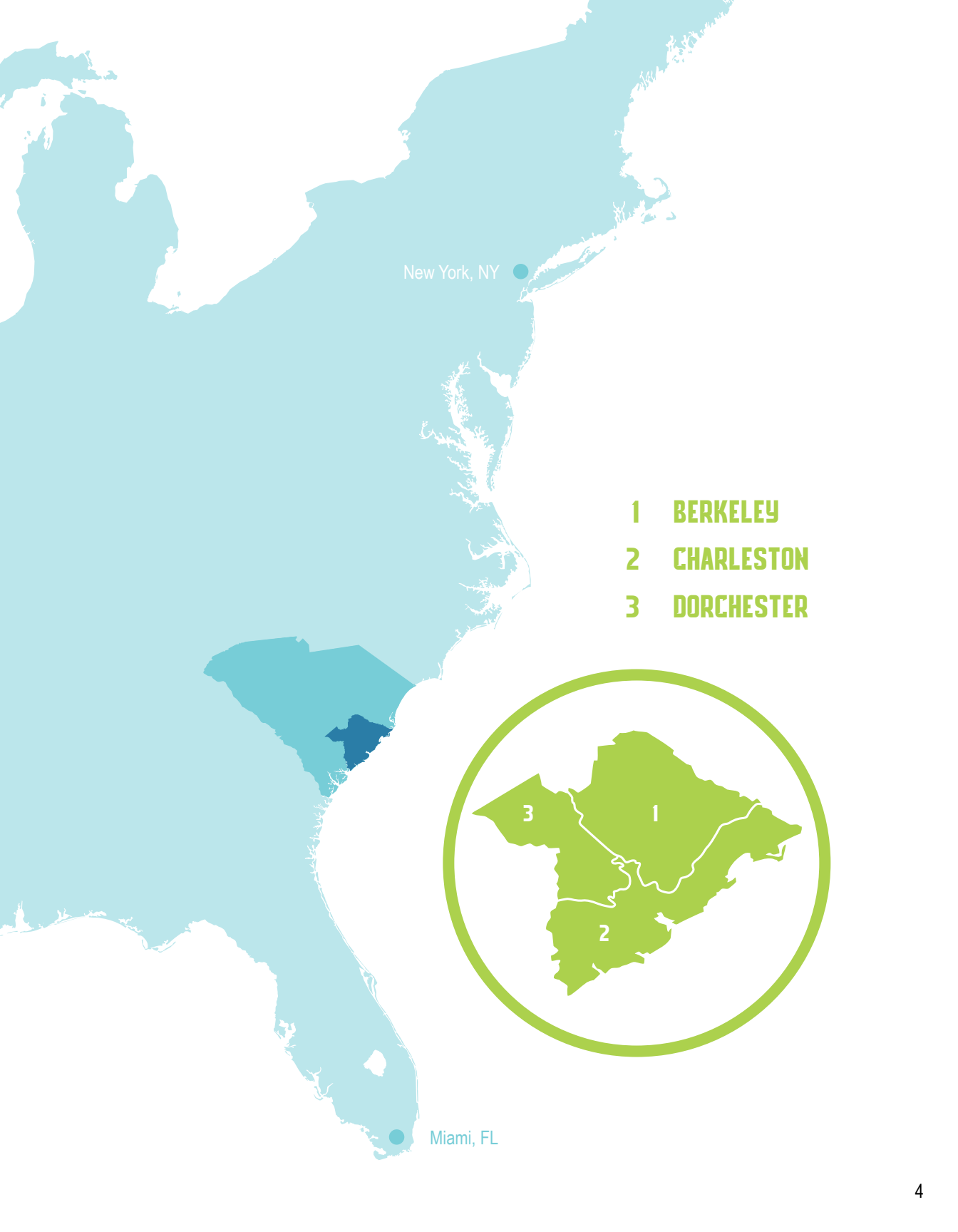
REGIONAL OVERVIEW

Comprised of three counties – Berkeley, Charleston and Dorchester – the Charleston region is a highly diverse market, advantageously located on the Atlantic coast half-way between New York and Miami. The region, which covers more than 3,100 square miles (8,192 kilometers), combines a thriving economy, rich history and breathtaking environment to offer an outstanding business climate and a quality of life that is second to none.

The Charleston metro's economy has transformed over the past decade from service-based to STEM-based, thanks in large part, to Boeing, Mercedes, Volvo and many others calling our region home. Charleston ranks number 20 among the nation's top 100 metros for growth in the Advanced Industry Sector, according to the Advanced Industries Study by the Brookings Institution, which examines growth in STEM-intensive occupations including logistics and transportation, advanced manufacturing and healthcare. The growth of this sector is helping to fuel the region's overall economic growth and transform the economy from a service-based to skills-based job market. Advanced Industry jobs are among the nation's fastest growing and highest paying.

Charleston Harbor will soon be the deepest port on the East Coast of the U.S. – all in time to welcome Post Panamax ships 24/7. There is no question that the Charleston metro is a profoundly different place than it was 25 years ago when the economy was centered on the nation's third largest Navy Base. And there is no doubt that we will be profoundly different a decade from now when Boeing, Volvo and Mercedes are all fully operational with their supply chains in place and our airport and port are offering thriving logistics and transportation options to reach the global supply chain. Charleston has earned its place on the global map as a visitor destination and now we are also recognized as a global business destination.

The following pages highlight the growth occurring in our region and predict what the next two years' economic performance will look like.



New York, NY

Miami, FL

- 1 BERKELEY**
- 2 CHARLESTON**
- 3 DORCHESTER**



POPULATION GROWTH

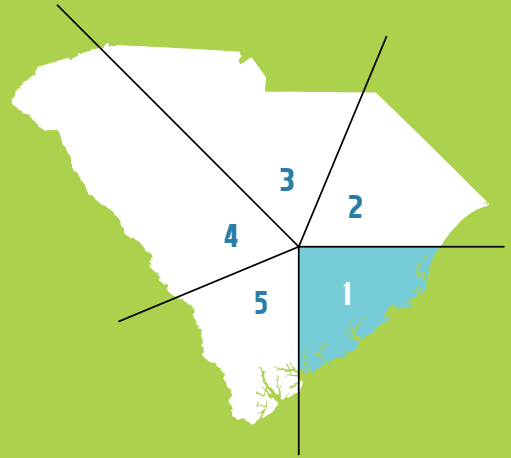


45  = PEOPLE PER DAY

The region is expanding by 45 new residents each day. As of 2016, the Charleston Metro Area population is 761,155, growing at three times the U.S. population average.

Of the 45 new people each day, 34 are people moving here, the remainder are net new births. Charleston has moved up to the 74th largest U.S. metro by population. By comparison, the metro area ranked 78th in 2010. We are experiencing a gain of well-educated, young talent, adding to the growing labor force at four times the U.S. average.

JOB GROWTH



1 : 5 JOBS CREATED

One of every five jobs created in the State of South Carolina in the last five years were in the Charleston region.

**#5 MOST UP
AND COMING**

City in America

- *Yelp's Local Economic Outlook*

**#1 SMALL CITY
IN THE U.S.**

for 7th Year in a Row

- *Condé Nast Traveler*

**TOP EAST COAST CITY
ATTRACTING MILLENIALS**

- *Inc.*

**2017
RANKINGS**

**#16 IN SHARE
OF JOBS**

for High Digital Skill Occupations

- *Brookings Institution*

**ONE OF 29 BEST SMALL
CITIES IN THE U.S.**

- *National Geographic Travel*

#6 IN THE U.S.

"Where Young People are Happy"

- *Business Insider*

**#22 BEST
PERFORMING**

City Index

- *Milken Institute*

FORECAST SUMMARY

The 2018 – 2019 Economic Forecast for the Charleston region indicates continued strong growth across the region. The national, state and local economies are all expected to grow over the next 18 to 24 months, with national GDP growth projected at some of the strongest rates in years. Locally, the region continues to grow and attract major industry, particularly in the Advanced Manufacturing, Logistics and Transportation and IT sectors. Additionally, the area's major economic engines continue to grow and expand. The Economic Outlook Board does not foresee anything on the horizon to slow the job and population growth fueling the local region's economy for the next two years.

Jobs are predicted to continue to post healthy gains across all sectors. The region has a net gain of more than 9,000 new jobs in 2017 and that growth is expected to continue as hiring progresses for Volvo and Mercedes' new automotive facilities, along with expansion of other sectors. The only factor holding back job growth is the people to fill them. Local employers continue to worry about the workforce pipeline, especially around specific skills needed in high-demand areas.

The Port of Charleston will experience a strong increase in container volumes as global markets expand and in anticipation of the deepening of the Charleston Harbor and the expansion of the Panama Canal. The number of automobiles shipped through the port will remain steady for 2018 before expanding in 2019 as the Volvo plant in Berkeley County begins production.

Charleston International Airport will continue to expand with additional new routes and flights by a number of commercial carriers. The airport closed out 2017 serving just shy of four million passengers.

Ranked as the number one visitor destination in the U.S. for seven years in a row, the region has experienced growth in the number of hotel properties and hotel rooms. Because of the increased inventory in the market, the forecast calls for moderate growth in the visitor industry in 2018 and 2019.

The region's real estate market will continue to expand, although not at the rate needed to accommodate population growth. The region needs an average of 7,500 new housing units added each year to accommodate the growing population. Strong anti-growth sentiment across the region must be balanced with the need for housing at income levels that will help stem the rising cost of housing across the region. Rising housing costs are pricing many out of the market and becoming an employee retention issue for area employers. The result is compounding the problem of filling a workforce pipeline, as well as adding congestion to overburdened transportation corridors each day as residents are forced to commute longer distances to and from work because they cannot afford to live near jobs. There is growing awareness of the linkage between these three issues – congestion, jobs and housing. Now the region's challenge is implementing solutions to solve them.

2018 ECONOMIC FORECAST AT A GLANCE

+2.5%

LABOR FORCE



+3.0%

EMPLOYMENT



-10.5%

UNEMPLOYMENT



+2.0%

**SINGLE FAMILY
PERMITS**



+2.0%

**REAL ESTATE
SALES**



+4.7%

**RETAIL
TRADE**



+6.0%

TEUs



+7.0%

AIRPORT



+2.5%

REVPAR



LABOR FORCE AND EMPLOYMENT

The region's labor market expanded in 2017, with total employment growing by 2.5 percent. The largest job gains were in Construction (+7.3%), Business and Professional Services (+4.7%) and Manufacturing (+3.1%). All sectors experienced gains in 2017, except for a slight drop in Leisure and Hospitality (-0.4%). The tight labor market, difficulty of finding housing near work and parking are issues impacting the ability of the Leisure and Hospitality sector to expand.

For the Charleston region, job gains are expected in both 2018 and 2019. Total employment is projected to increase by more than 11,000 net new jobs in 2018 and another 11,000 in 2019 – resulting in a continued decline in unemployment, falling to three percent by the end of 2019.



REAL ESTATE CONSTRUCTION

The region's residential real estate market continued to experience growth in 2017 as housing prices are still on the rise. Total single-family permits declined slightly for the year with a total of 4,710 permits issued. The number of multi-family units increased for the year. With the current population growth of 2.2 percent annually, the region needs to add an average of 7,500 new units each year - we were slightly under that number in 2017 at 7,373. Anti-growth sentiment across the region is causing local governments to slow permitting processes. The result is classic supply and demand – the demand continues to increase, but supply is not meeting demand and prices go up.

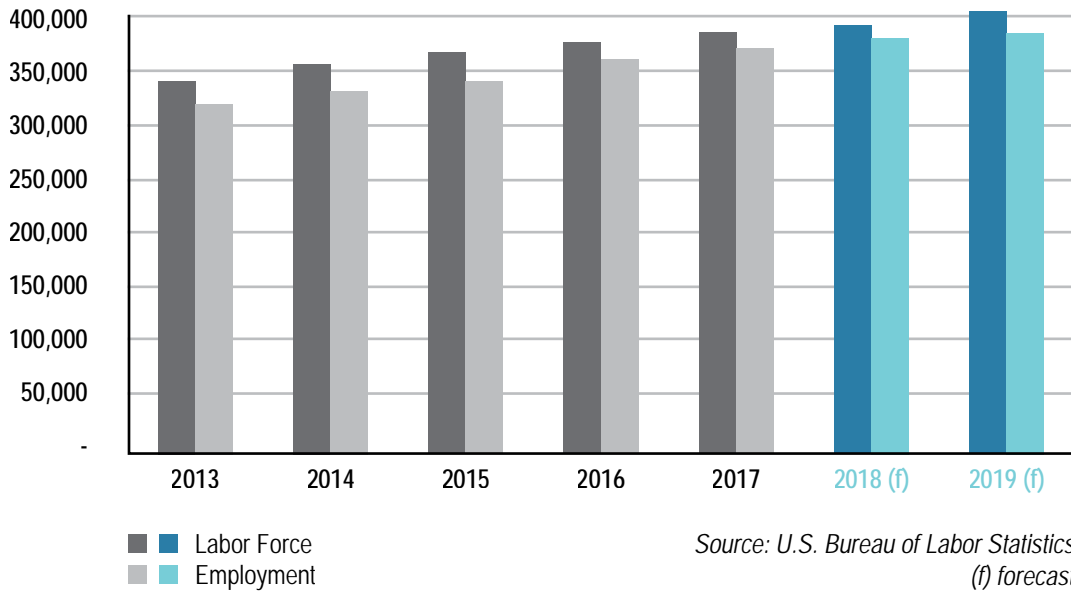
The average sales price for homes sold in the region increased 6.1 percent in 2017. Average rent for area apartments are also increasing, and have risen 49 percent, since 2010.

The region must learn to grow smarter. That means building more housing of all types, at all price points, near job centers. To do that, we need to cut red-tape regulations that limit our housing choices. We also need to encourage new construction to bring more housing options on to the market.

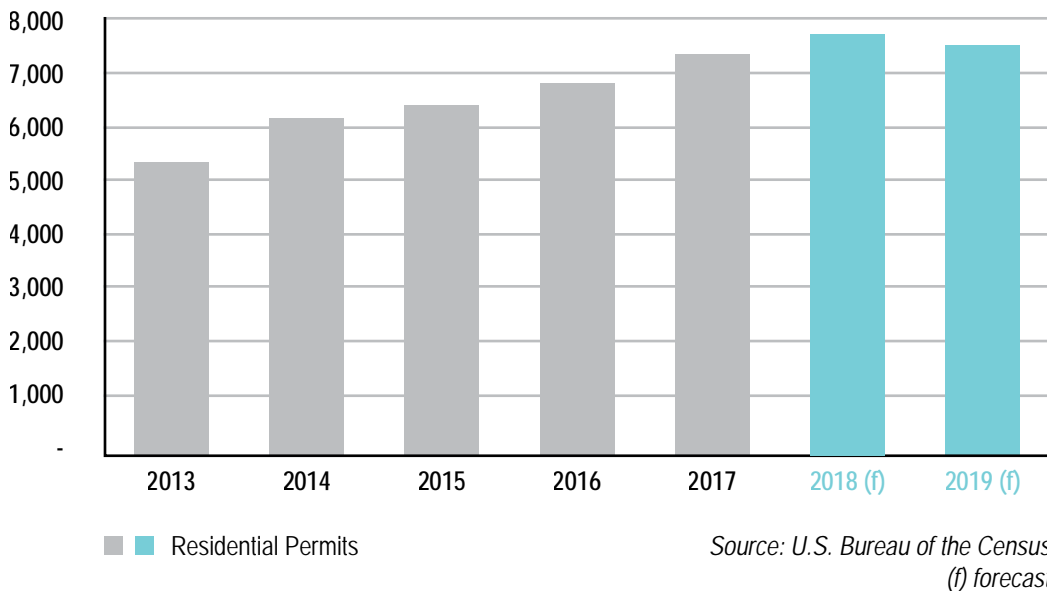
The forecast for the residential building market is for continued growth in 2018 and 2019, although at a slower pace. Multi-family construction is expected to slow in the next two years as a result of the surge in permits the past couple of years. Because vacancies remain low and population is expected to continue to increase, the Outlook Board agrees that this area is very difficult to predict accurately.



Labor Force / Employment Charleston Region



Total Residential Permits



REAL ESTATE SALES

In 2017, the number of residential home sales increased by 3.1 percent above the previous year and the average sales price increased by 6.1 percent.

Residential housing sales are also expected to continue to grow in 2018 and 2019 although at a slower pace. The forecast is for a two percent increase in the number of sales in both 2018 and 2019. The average sales price is predicted to increase by three percent in both 2018 and the following year.



RETAIL SALES

Total retail trade in the region declined in 2017 due to a one-time event that impacted overall reported gross sales in Berkeley County in 2016. The Economic Outlook Board does not believe the numbers are a true reflection of retail activity – which was healthy across the region in 2017. New retailers joined the market including Lowes Food and BJ's Wholesale Club while others, such as Lowe's and Costco, added locations. The forecast for 2018 and 2019 is for retail sales to continue to increase well above inflation in each of the next two years.

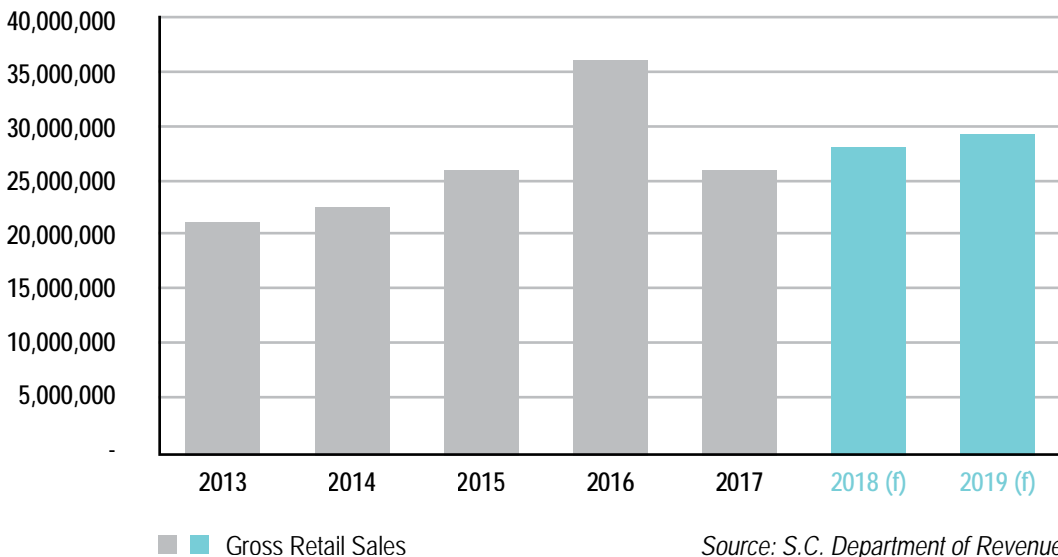


Residential Home Sales

Year	# Sold	Average Sales Price	Median Sales Price
2013	13,100	\$280,853	\$204,900
2014	14,256	\$290,822	\$215,000
2015	16,002	\$307,415	\$229,000
2016	17,789	\$320,703	\$240,000
2017	18,378	\$340,183	\$251,333
2018 (f)	18,746	\$348,697	\$262,894
2019 (f)	19,121	\$359,158	\$275,250

Source: Charleston Trident Association of Realtors
(f) forecast

Gross Retail Sales (\$000)



Source: S.C. Department of Revenue
(f) forecast

TRANSPORTATION (PORT)

South Carolina Ports Authority (SCPA) posted a record year of container growth in 2017 - a year highlighted locally by strong volumes and significant progress on the harbor deepening project. Total TEUs increased by 9.1 percent, placing Charleston among the fastest growing ports in the U.S. In calendar year-end results, container volumes, measured in 20-foot equivalent units, reached more than two million.

The forecast calls for container volumes to increase in each of the next two years as the Port of Charleston continues to expand and attract new business. Harbor deepening will begin construction in 2018 and the Port Access Road and Hugh Leatherman Terminal are well-underway. Large Post Panamax vessels already call on Charleston's ports at high tide and the deepening of the harbor to 52 feet will allow these ships to call on Charleston 24/7.



TRANSPORTATION (AIRPORT)

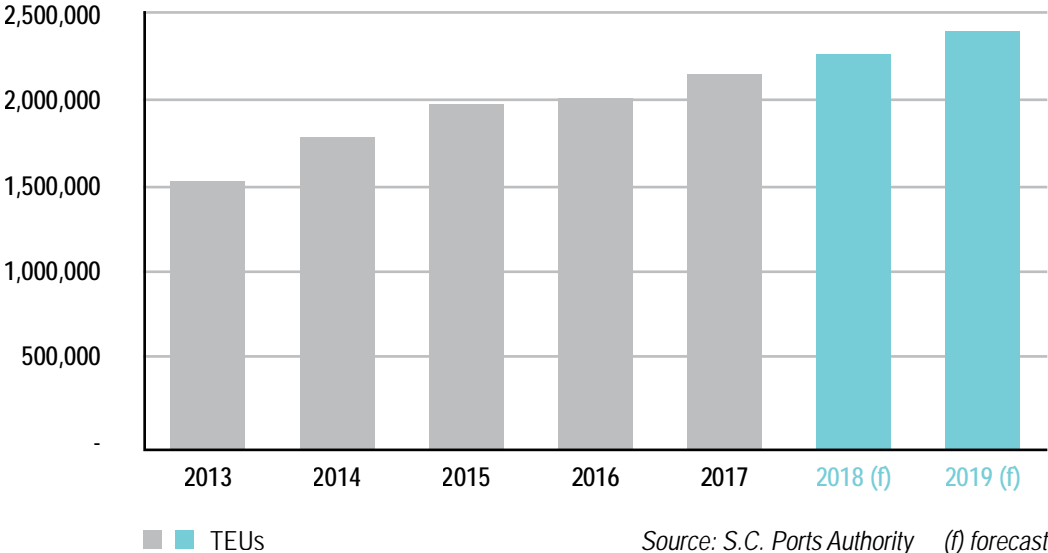
Total passenger activity at Charleston International Airport reached record levels in 2017, finishing just shy of the four million passengers mark. The expansion marked six record volume increases in a row and growth is projected to continue in each of the next two years.

Airline expansion continued in 2017 with the addition of new services by American, United, Southwest and JetBlue. Passenger volumes for all airlines serving Charleston increased during the year.

Total passenger volumes are forecast to continue to grow over the next two years by seven percent. In 2017, ultra-low-cost carrier Frontier Airlines announced service to Denver, Philadelphia and Chicago starting in February 2018, and Allegiant Airlines kicked off plans to fly between Charleston and Cincinnati, Pittsburgh and Indianapolis, also during 2018. American, Delta and Alaska Airlines will also expand the number of flights to and from Charleston in 2018.

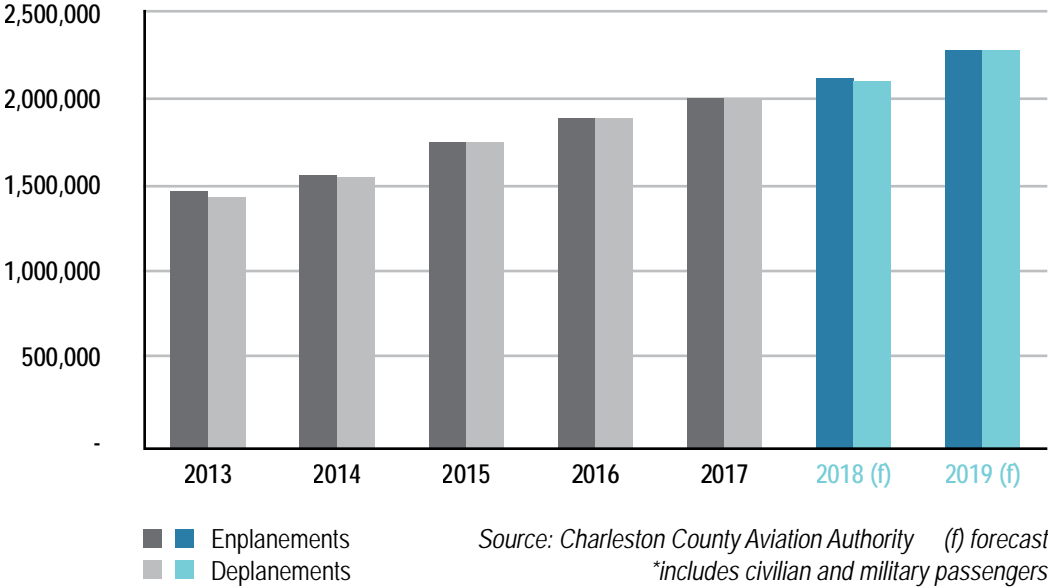


Port of Charleston Activity (TEUs)



Source: S.C. Ports Authority (f) forecast
 *TEUs: twenty-foot equivalent units

Charleston International Airport Passenger Activity



Source: Charleston County Aviation Authority (f) forecast
 *includes civilian and military passengers

VISITOR INDUSTRY

The region's visitor industry continued to expand in 2017, with area experts reporting another strong year of activity. One of the highlights of the year was being named the country's top travel destination by Condé Nast again.

The number of room nights sold increased again in 2017, an indicator of a strong visitor sector. The industry expects a continued expansion of room nights sold in 2018 and 2019 in spite of a surge of new inventory coming onto the market.

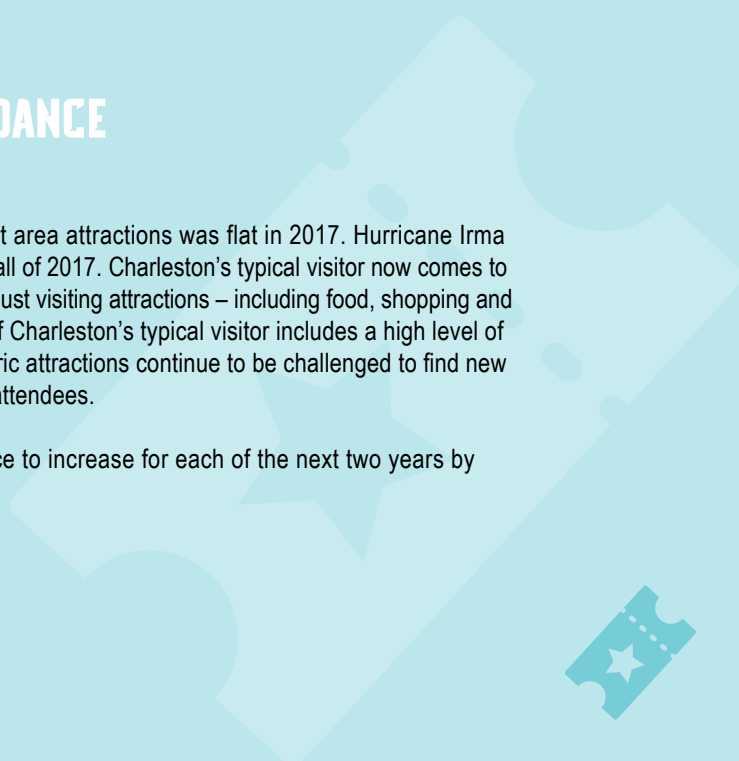
RevPAR, or revenue per available room, a standard measurement by the lodging industry and used as an overall metric indicating financial performance of a property, increased by 4.9 percent from the previous year. RevPAR is expected to remain flat for each of the next two years – an indicator of a strong market given the number of new hotel properties coming on line during 2018 and 2019.



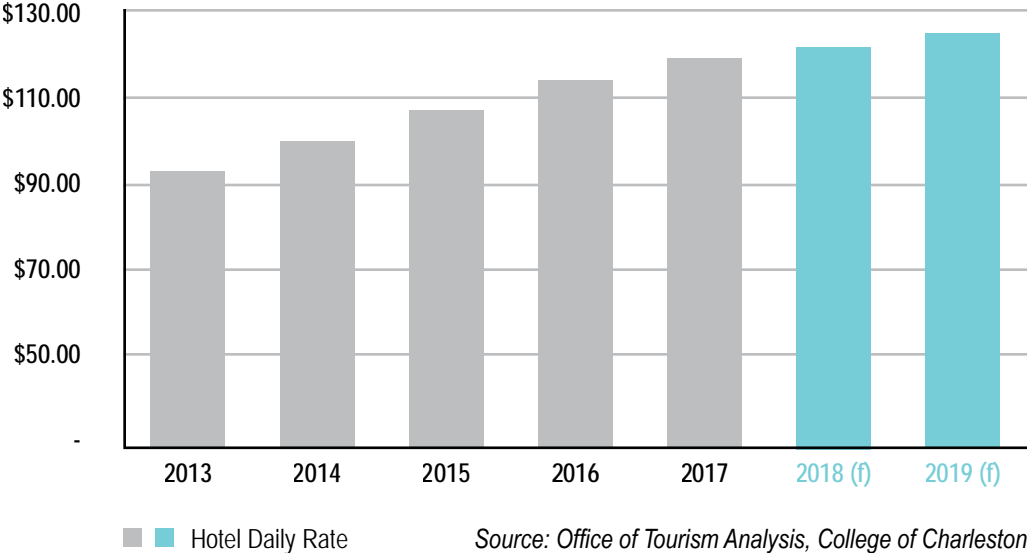
ATTRACTION ATTENDANCE

Total attraction attendance at area attractions was flat in 2017. Hurricane Irma impacted the industry in the fall of 2017. Charleston's typical visitor now comes to the area for activities beyond just visiting attractions – including food, shopping and business travel. The profile of Charleston's typical visitor includes a high level of repeat visitation, so the historic attractions continue to be challenged to find new and creative ways to attract attendees.

The forecast is for attendance to increase for each of the next two years by one to 1.5 percent each.



RevPAR 2013 - 2019



Source: Office of Tourism Analysis, College of Charleston (f) forecast

Attendance at Area Attractions

Year	Attendance	% Change From Previous Year
2013	2,355,755	1.1%
2014	2,435,544	3.4%
2015	2,447,565	0.5%
2016	2,571,589	5.1%
2017	2,572,557	0.0%
2018 (f)	2,598,283	1.0%
2019 (f)	2,637,257	1.5%

Attractions include: Historic homes, museums, plantations and other attractions. Source: Charleston Area Convention & Visitors Bureau (f) forecast

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METHODOLOGY

Data for the forecast is collected by the Charleston Metro Chamber of Commerce's Center for Business Research. The survey methodology has been reviewed by the College of Charleston. Data reported by national and state agencies, such as employment, inflation and interest rates, are downloaded directly from those agencies.

The statistical methodology used to generate the forecast herein is Vector Autoregression or VAR.

For a digital copy of the forecast, please visit:

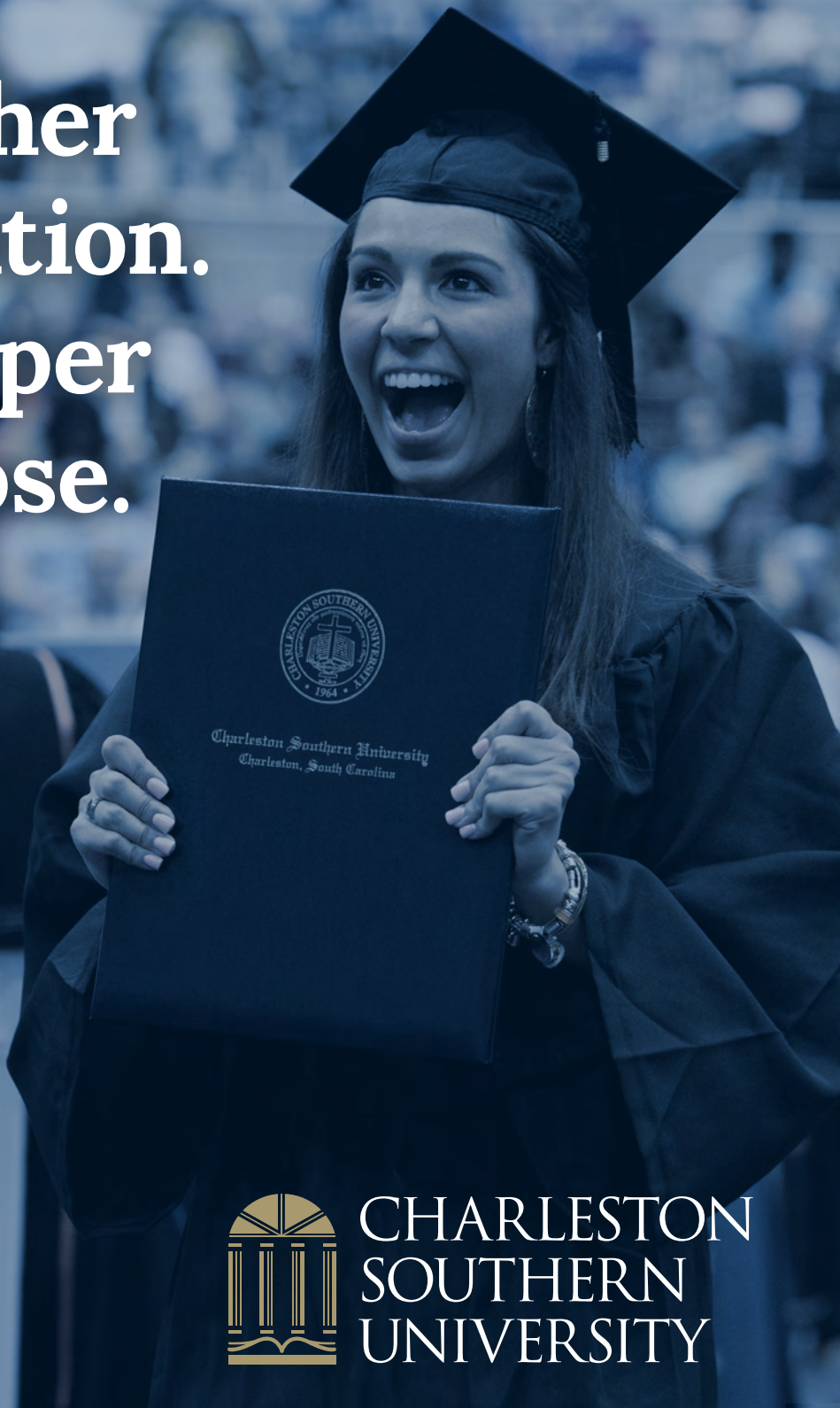
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